

**PUBLIC BRIEFING**  
**ON THE**  
**MAYOR'S FISCAL YEAR 2008 PROPOSED BUDGET**

**Before the**  
**Committee of the Whole**  
**Council of the District of Columbia**

**The Honorable Vincent C. Gray, Chairman**

**March 26, 2007, 10:00 a.m.**  
**Council Chamber, John A. Wilson Building**



**Testimony of**  
**Natwar M. Gandhi**  
**Chief Financial Officer**  
**Government of the District of Columbia**

Good morning, Chairman Gray and members of the Committee of the Whole. I am Natwar M. Gandhi, Chief Financial Officer of the District of Columbia Government. It is my pleasure to be here today to discuss the Mayor's fiscal year 2008 proposed budget and multi-year financial plan.

This was a challenging budgeting and planning cycle, the first since Mayor Fenty's inauguration on January 2. Most of the agencies had to meet budget reduction targets of 10 percent for FY 2008, to largely help fund recurring spending pressures from FY 2007. The Office of the Chief Financial Officer (OCFO) worked closely with the Mayor's executive leadership team, agency program staff and finance staff to resolve numerous budget issues, to find new ways to finance initiatives given limited resources, and to produce a balanced five-year financial plan. The full five-year plan is attached to my testimony. We will continue to work diligently with everyone in this collaborative process as the Council deliberates on the FY 2008 proposed budget and financial plan.

## **SUMMARY**

I am pleased to report that the proposed FY 2008 budget is balanced, as is the four-year financial plan covering FY 2008-2011. As such, it should provide assurance to Wall Street that the District will continue to practice sound fiscal management and not jeopardize its hard-earned credibility.

## **COST DRIVERS**

The local fund budget increases 8.8 percent from FY 2007 approved to FY 2008 proposed. While the proposed budget and multi-year plan are balanced, certain

activities are “cost drivers,” in that they either drive the increase in the entire budget or contribute to the increase disproportionately:

- Together, public education and human support services are 50 percent of proposed local fund spending.
- Within public education, the local funds budget for charter schools is rising \$54 million, or 20 percent.
- Within human support services, a \$53 million increase in the cost of the Health Care Safety Net takes up more than half of the \$92 million increase in the Department of Health, and the Department of Mental Health increases \$37 million (21 percent).
- Public safety costs represent 17 percent of proposed local spending. With an additional 400 police officers’ salaries costing \$30 million, the Metropolitan Police Department’s proposed budget is 12 percent higher.
- Some dramatic increases in the FY 2008 proposed budget are short-term:
  - The operating costs for information technology capital projects add \$26 million, contributing to the 64 percent increase in the Office of the Chief Technology Officer.
  - The District’s operating subsidy to the Washington Metropolitan Area Transit Authority rises 25 million (12.5 percent) in FY 2008 and will rise sharply in FY 2009 and FY 2010, due to the costs of Metro matters, before returning to “normal” levels.
  - FY 2008 reflects a one-time \$76 million increase in the District’s cost of other post employment benefits (OPEB) because of the requirement for an actuarially based payment to the irrevocable trust.

## **CONTEMPLATED BORROWING AND DEBT BURDEN**

The FY 2008-2013 Capital Improvements Plan (CIP) contemplates roughly \$450 million of borrowing in each of the next three years, as well as the issuance of tax-supported debt for school modernization, government center buildings, traffic initiatives, and a forensics lab – all worthwhile public projects. However, I should point out the District’s already high debt and growing debt burden.

Compared to the District’s \$9,000 per capita amount for all tax supported debt, New York City’s is less than \$6,000, Chicago’s is \$1,800, Boston’s is \$1,500, and Baltimore’s is \$800. The District’s debt service as a percent of expenditures amounts to a manageable 9 percent, but, with the contemplated borrowing, it will rise to more than 13 percent by 2010, which is above Moody’s median for large cities. As I said in my testimony in February for the Comprehensive Annual Financial Report (CAFR), the District has made extraordinary improvements in its fiscal position and should take care not to lose ground, in both its annual fiscal planning and the long-term debt it incurs.

## **EXPENDITURES**

### ***Local Funds***

The Mayor’s FY 2008 proposed budget includes \$5.570 billion in spending supported by \$5.571 billion of resources, with an operating margin of \$1.6 million, as seen on table 1.

***Table 1***  
**Proposed FY 2008 Budget Summary – Local Funds**  
*(\$ in thousands)*

|  |                     |
|--|---------------------|
| Total Taxes  | \$ 4,808,763        |
| Non-tax Revenue                                      | 328,372             |
| Miscellaneous Revenues                               | 160,460             |
| Appropriated Fund Balance                            | 273,858             |
| <b>Total Local Fund Resources</b>                    | <b>\$ 5,571,453</b> |
| <br>   |                     |
| Operating Expenditures                               | \$5,352,927         |
| PAYGO Capital and Transfer to OPEB for FY 2008 costs | 216,907             |
| <b>Total Expenditures</b>                            | <b>\$5,569,833</b>  |
| <br>   |                     |
| <b>Projected FY 2008 Operating Margin</b>            | <b>\$1,620</b>      |

*(Totals do not add due to rounding)*  
*Combined with the spending supported by dedicated taxes, displayed in a new Dedicated Taxes Fund, proposed FY 2008 spending will be \$5.726 billion.*

The Mayor’s proposed total local funds expenditures for FY 2008 are \$5.570 billion. Comparing FY 2007 and FY 2008 on the same basis, this is an increase of \$450.0 million, or 8.8 percent, over the \$5.120 billion FY 2007 approved local budget. (Both years reflect the spending for school modernization PAYGO, at \$100 million in FY 2007 and \$106 million in FY 2008.)

The \$273.9 million of fund balance supporting the proposed FY 2008 budget includes \$65.4 million from the FY 2005 fund balance, which was approved for use last year as part of the FY 2007-2010 budget plan (to replace the sales taxes dedicated to school modernization), plus an additional \$208.5 million from the FY 2006 fund balance. Of this latter amount \$29.9 million is reserved for OPEB and is appropriated for the transfer to an irrevocable trust, and \$178.6 million is for various one-time expenditures in the baseline budget. The \$178.6 million in expenditures is financed by: (a) \$11.6 million of funds also designated for OPEB in the FY 2006 CAFR, but which will be redesignated for general operating purposes; (b) \$138 million of the unreserved and undesignated fund balance

contained in the FY 2006 CAFR; (c) \$20 million reflecting a projected operating surplus at the end of FY 2007, which will fall into fund balance; and (d) \$9 million reflecting a conversion of O-type funds in fund balance to local. The specific O-type accounts in fund balance to be converted to local will be identified by the Mayor late in the fiscal year. I will discuss the use of fund balance later in this testimony, but let me just say that prudent, planned drawdowns of fund balance are reasonable.

This overall budget increase provides funding for various services, including the “cost drivers” I mentioned earlier, as well as program enhancements such as the new Department on Disability Services (formerly MRDDA). It provides for the substantial rebuilding of the District’s capital infrastructure by including \$673.1 million in new debt in FY 2008, requiring additional funding for the related debt service. The proposed FY 2008 Budget Support Act would also allocate for various purposes \$56 million of additional revenue that may be certified through a revised quarterly revenue estimate for FY 2008. The Mayor’s proposal also includes lowering the Class 1 real property tax rate from 88 cents per \$100 of assessed value to 86 cents, so long as the certified estimates of revenue from Class 1 real property do not fall below the estimate as of December 15, 2006.

## **REVENUE OUTLOOK**

In FY 2008, non-dedicated tax revenues are projected at \$4.809 billion, 9.0 percent above the approved FY 2007 level of \$4.413 billion (including \$100 million in sales taxes for school modernization) and 6.2 percent above the adjusted FY 2007 level of \$4.530 billion (in accordance with the December 2006 certified revenue estimate).

The economic outlook for the District of Columbia for the period covered by the FY 2008-2011 proposed budget and financial plan is similar to that generally forecast for the nation as a whole – no major disruptions and steady growth in employment, wages and income, but at rates slightly below those experienced in FY 2006. The District’s economy should continue to benefit from national economic growth and the stabilizing presence of the federal government.

Rising real estate assessments and sales were major sources of revenue gains in fiscal years 2003 through 2005, but sales slowed in FY 2006. The longer run fundamentals affecting the District’s real estate market are expected to remain strong. The economy is growing, and individuals and businesses both continue to demonstrate a desire to locate in the city. Increases in the assessed value of real property will continue to be a source of increased revenue through FY 2008, but the values of transactions in FY 2007 and FY 2008 are expected to be below the FY 2006 level.

### **SPECIAL PURPOSE REVENUE FUND**

The Mayor proposes a \$509.7 million special purpose revenue fund budget for FY 2008, financed with \$358.2 million of FY 2008 revenues (2.8 percent lower than FY 2007 approved), \$63.0 million of fund balance, and \$88.5 million in proposed new special purpose revenues. The proposals include revenue increases of \$20.2 million (\$16.9 million for increased 911 and 311 assessments and \$3.3 million for increased U.S. Marshal’s reimbursements) and revenue transfers of \$68.3 million (\$37.0 million in right-of-way fees from capital; \$30.0 million in parking taxes from capital; and \$1.3 million in bus shelter revenue from capital).

## **FINANCING THE LOCAL BUDGET WITH GENERAL FUND BALANCE**

The Mayor's proposed local funds budget for FY 2008 utilizes \$273.9 million from the general fund balance. We have continually stated that the District government is proud of having developed a healthy accumulated fund balance after going through a period of accumulated deficit more than a decade ago. But it is not the government's business to amass and hoard fund balance, and prudent use of fund balance is appropriate.

As you saw in the FY 2006 CAFR, the District concluded FY 2006 operations with a \$1.435 billion fund balance (i.e., accumulated surplus), consisting of \$1.074 billion (74.8 percent) in local funds and \$361.0 million (25.2 percent) in special purpose revenue funds. Of the portion in local funds, \$262.6 million was reserved in debt service escrow and \$293.7 million was held in congressionally-mandated emergency/contingency cash reserves. As a general rule, special purpose revenue funds are designated or reserved for particular uses unless the Mayor and Council want to free them up.

In FY 2007 \$311.3 million of fund balance was appropriated or reserved for use: \$176.3 million was appropriated in the local fund budget and \$108.0 million in the special purpose fund budget, and another \$27.0 million in local funds from the Medicaid Reserve Fund was provided for use by the Department of Mental Health for additional client services (\$13.0 million) and for use by the District of Columbia Public Schools for special education non-public tuition (\$14.0 million).

Based on current revenue and expenditure estimates for local funds in FY 2007, and not considering the potential impact from supplemental appropriations or end-of-

year CAFR audit adjustments, the local fund operating budget is expected to end FY 2007 with a surplus of \$21.9 million. This will increase the local fund balance.

As you can see below in Table 2, the fund balance for local funds is projected to be \$901.6 million at the end of FY 2007. Roughly two-thirds of this fund balance would represent ongoing, required commitments such as congressional and bond escrow reserves (assuming that these two commitments, which are the largest, remain relatively steady at the \$556.3 million required in FY 2006). The remainder would be available for appropriation.

| <b><i>Table 2</i></b>                                     |                          |
|---|--------------------------|
| <b>FY 2007 Local Fund Balance Analysis</b>                |                          |
| <i>(\$ in thousands)</i>                                  |                          |
| Beginning Fund Balance (October 1, 2006)                  | \$ 1,074,108             |
| Local Appropriated for FY 2007                            | (203,330)                |
| Projected FY 2007 Local Operating Margin                  | 21,865                   |
| Conversion of Special Purpose to Local                    | 9,000                    |
| <b>Projected Ending Fund Balance (September 30, 2007)</b> | <b><u>\$ 901,643</u></b> |

Table 3 below demonstrates that the proposed drawdown of fund balance combined with the small projected FY 2008 operating margin will reduce the accumulated surplus for local funds to a projected \$629.4 million by the end of FY 2008. The emergency and contingency cash reserves and the bond escrow account, if maintained at the FY 2006 funding level of \$556.3 million, would represent approximately 88.4 percent of the projected FY 2008 local fund balance.

| <b><i>Table 3</i></b>                                     |                          |
|---|--------------------------|
| <b>FY 2008 Local Fund Balance Analysis</b>                |                          |
| <i>(\$ in thousands)</i>                                  |                          |
| Projected Beginning Fund Balance (October 1, 2007)        | \$ 901,643               |
| Appropriated for FY 2008                                  | ( 273,858)               |
| Projected FY 2008 Operating Margin                        | 1,620                    |
| <b>Projected Ending Fund Balance (September 30, 2008)</b> | <b><u>\$ 629,405</u></b> |

## PROPOSED FY 2008 GROSS FUNDS BUDGET

The proposed FY 2008 gross funds operating budget is \$8.277 billion, an increase of \$520.0 million, or 6.7 percent, over the approved FY 2007 gross funds budget of \$7.757 billion. This expenditure increase is primarily due to higher proposed spending for local funds, dedicated taxes and special purpose funds. The increase in local spending has been previously highlighted. The increase in dedicated taxes is due to the break-out of previously netted revenue (baseball dedicated taxes) and the transfer of special purpose funds to dedicated taxes (Quality of Care Nursing Home Fund, Neighborhood Investment Fund, and the Comprehensive Housing Task Force).

The local and non-local funding components of the proposed FY 2008 gross funds budget and the changes from FY 2007 are summarized in Table 4 below.

| <b>Table 4</b>                                 |                    |                     |                  |             |
|--|--------------------|---------------------|------------------|-------------|
| <b>FY 2008 Gross Funds Budget by Fund Type</b> |                    |                     |                  |             |
| <i>(\$ in millions)</i>                        |                    |                     |                  |             |
| Fund Type                                      | FY 2007            | FY 2008             | Change           | % Change    |
| 1. Local <sup>A</sup>                          | \$5,120,459        | \$5,569,833         | \$449,374        | 8.8%        |
| 2. Dedicated Taxes <sup>B</sup>                | <u>65,738</u>      | <u>156,425</u>      | <u>90,687</u>    | 138.0%      |
| 3. Subtotal                                    | 5,186,197          | 5,726,258           | 540,061          | 10.4%       |
| 4. Federal                                     | 2,037,922          | 2,032,768           | (5,153)          | (0.3)%      |
| 5. Private Grants                              | 6,850              | 7,875               | 1,025            | 15.0%       |
| 6. Special Purpose                             | 525,614            | 509,712             | (15,902)         | (3.0)%      |
| <b>7. Total Gross Funds</b>                    | <b>\$7,756,583</b> | <b>\$ 8,276,613</b> | <b>\$520,030</b> | <b>6.7%</b> |

<sup>A</sup> The FY 2007 local funds budget displayed here includes the School Modernization Paygo Transfer of \$100.0 million.

<sup>B</sup> FY 2007 dedicated taxes included only monies for the Housing Production Trust Fund. FY 2008 includes dedicated taxes for three other purposes: baseball, quality of care nursing home fund, neighborhood investment, and comprehensive housing task force. To compare FY 2007 and FY 2008 on the same basis, Line 3 would be adjusted by adding \$63.8 million to FY 2007, and the increase from FY 2007 to FY 2008 would be 9.1% instead of 10.4%.

## **CAPITAL IMPROVEMENTS PLAN**

The District faces a wide variety of infrastructure needs, placing great demands on its Capital Improvements Plan (CIP). The total proposed appropriation request for the FY 2008-2013 CIP is \$1.171 billion for all sources (excluding the Highway Trust Fund), which consists of \$1.410 billion of new budget authority offset by \$239 million of rescissions. The increased budget authority will be financed by general obligation (G.O.) bonds, PAYGO transfers from the general fund, the Master Equipment Lease Program, asset sales, federal grants, revenue bonds, and the local streets fund. Excluding certain large financings and the local streets fund, the FY 2008 capital program includes \$581 million in planned capital expenditures to be financed by \$399 million in new G.O. bond issuance, \$106 million of PAYGO transfers for school modernization, \$76 million from the Master Equipment Lease Program, asset sales, and federal grants.

## **REORGANIZATIONS**

The Mayor's FY 2008 proposed operating budget includes a number of agency reorganizations and program and funding shifts. These changes have been made to improve services and accountability and to meet strategic business goals. The organizational changes and funding shifts impact various agencies and programs, including: the Office of Community Affairs (new), Serve DC (new), Deputy Mayor for Education (new), Office of Victim Services (from program to new agency), Office of Justice Grants Administration (from program to new agency), Office of the Tenant Advocate (from program to new agency), Rental Housing Commission (program shift), Rental Accommodations and Conversions (program shift), D.C. Department of Human Resources (formerly the D.C. Office of Personnel – funding shift from local to intra-District), Office of Contracting and Procurement (funding shift from local to intra-District), Customer Service

Operations (consolidated into the Office of Unified Communications), Human Resources Development (consolidated into the new Department of Human Resources), and the Department on Disability Services (from program to new agency).

I have certified that the FY 2008-2011 budget and financial plan, as proposed, is balanced. With its many complex agency reorganizations, program shifts and funding shifts, it is the joint product of the determination and efforts of the Mayor's executive leadership team, agency program directors and staff, and the Office of Budget and Planning. I look forward to continuing to work with the Mayor and the Council during the forthcoming budget deliberations.

This concludes my remarks. I would be pleased to answer any questions you may have.

Table 3-1  
**FY 2008 - 2011 Proposed Budget and Financial Plan: GENERAL FUND**  
(\$ thousands)

|   | FY 2006<br>Actual | FY 2007<br>Approved    | FY 2007<br>Adjusted | FY 2008<br>Proposed | FY 2009<br>Projected | FY 2010<br>Projected | FY 2011<br>Projected |
|---|-------------------|------------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| <b>1 Revenues</b>   |                   |                        |                     |                     |                      |                      |                      |
| 2 Taxes   | 4,238,950         | 4,412,599 <sup>A</sup> | 4,530,035           | 4,808,763           | 5,090,330            | 5,372,968            | 5,655,895            |
| 3 Dedicated Taxes   | 0                 | 50,587                 | 57,570              | 152,246             | 154,604              | 157,949              | 161,883              |
| 4 General Purpose Non-Tax Revenues                                | 361,951           | 317,277                | 335,251             | 328,372             | 335,708              | 332,604              | 337,416              |
| 5 Special Purpose (O-type) Revenues                               | 375,389           | 417,657                | 381,130             | 358,250             | 343,049              | 351,985              | 345,850              |
| 6 Transfer from Lottery   | 73,800            | 72,100                 | 72,100              | 72,100              | 72,100               | 72,100               | 72,100               |
| <b>7 Sub-total General Fund Revenues</b>                          | <b>5,050,090</b>  | <b>5,270,220</b>       | <b>5,376,086</b>    | <b>5,719,731</b>    | <b>5,995,791</b>     | <b>6,287,606</b>     | <b>6,573,144</b>     |
| 8 Effect of Tax Changes   | 0                 | (276)                  | 0                   | 0                   | 0                    | 0                    | 0                    |
| <b>9 Adjusted General Fund Revenues</b>                           | <b>5,050,090</b>  | <b>5,269,944</b>       | <b>5,376,086</b>    | <b>5,719,731</b>    | <b>5,995,791</b>     | <b>6,287,606</b>     | <b>6,573,144</b>     |
| 10 Bond Proceeds for Issuance Costs                               | 10,494            | 30,000                 | 30,000              | 60,000              | 30,000               | 30,000               | 30,000               |
| 11 Payment-in-Lieu-of-Taxes from WASA                             | 0                 | 1,551                  | 1,551               | 0                   | 0                    | 0                    | 0                    |
| 12 Transfer from Federal and Private Resources                    | 0                 | 6,502                  | 6,502               | 6,646               | 6,794                | 6,958                | 7,133                |
| 13 Transfer from Enterprise Fund (HPTF) for Debt Service          | 0                 | 6,000                  | 0                   | 12,000              | 12,000               | 12,000               | 12,000               |
| 14 Transfer from Capital Funds (Bus Shelter Revenue) for Debt Svc | 0                 | 2,091                  | 2,091               | 9,714               | 19,312               | 19,310               | 19,311               |
| 15 Fund Balance Use   | 528,432           | 284,287                | 352,401             | 342,042             | 0                    | 0                    | 0                    |
| 16 Revenue Proposals  | 0                 | 113,268                | 0                   | 88,457              | 85,157               | 85,157               | 85,157               |
| <b>17 Total General Fund Resources</b>                            | <b>5,589,016</b>  | <b>5,713,643</b>       | <b>5,768,631</b>    | <b>6,238,590</b>    | <b>6,149,054</b>     | <b>6,441,031</b>     | <b>6,726,745</b>     |
| 18  |                   |                        |                     |                     |                      |                      |                      |
| <b>19 Expenditures (by Appropriation Title)</b>                   |                   |                        |                     |                     |                      |                      |                      |
| 20 Governmental Direction and Support                             | 333,547           | 433,759                | 391,448             | 379,744             | 350,253              | 360,739              | 369,848              |
| 21 Economic Development and Regulation                            | 251,762           | 288,974                | 313,377             | 326,926             | 283,001              | 289,945              | 292,624              |
| 22 Public Safety and Justice                                      | 894,748           | 943,295                | 938,138             | 1,040,187           | 1,012,186            | 1,046,078            | 1,078,735            |
| 23 Public Education System  | 1,170,703         | 1,223,971              | 1,246,672           | 1,276,228           | 1,280,714            | 1,323,201            | 1,352,728            |
| 24 Human Support Services   | 1,389,575         | 1,423,138              | 1,494,066           | 1,579,054           | 1,592,237            | 1,659,006            | 1,727,934            |
| 25 Public Works   | 363,798           | 405,318                | 366,836             | 559,547             | 557,619              | 602,306              | 581,695              |
| 26 Financing and Other  | 432,124           | 586,296                | 520,561             | 660,161             | 669,823              | 732,049              | 778,705              |
| 27 Cash Reserve (Budgeted Contingency)                            | 0                 | 50,000                 | 500                 | 50,000              | 50,000               | 50,000               | 50,000               |
| 28 Lease Purchase Costs   | 24,574            | 43,955                 | 43,955              | 43,755              | 48,750               | 57,612               | 68,877               |
| <b>29 Sub-total, Operating Expenditures</b>                       | <b>4,860,831</b>  | <b>5,398,706</b>       | <b>5,315,554</b>    | <b>5,915,602</b>    | <b>5,844,582</b>     | <b>6,120,936</b>     | <b>6,301,145</b>     |
| 30 School Modernization Fund                                      | 0                 | 100,000                | 100,000             | 106,000             | 112,360              | 119,102              | 126,248              |
| 31 Paygo Capital  | 265,023           | 87,987                 | 87,987              | 0                   | 0                    | 0                    | 0                    |
| 32 Transfer to Trust Fund for Post-Employment Benefits            | 138,000           | 4,700                  | 4,700               | 110,907             | 86,200               | 91,800               | 97,700               |
| 33 Transfer to Enterprise Funds - HPTF and Baseball Revenue Fund  | 0                 | 120,418                | 112,250             | 103,462             | 104,586              | 106,719              | 109,339              |
| <b>34 Total General Fund Expenditures and Transfers</b>           | <b>5,263,855</b>  | <b>5,711,811</b>       | <b>5,620,491</b>    | <b>6,235,971</b>    | <b>6,147,728</b>     | <b>6,438,557</b>     | <b>6,634,432</b>     |
| <b>35 Operating Margin, Budget Basis</b>                          | <b>325,161</b>    | <b>1,832</b>           | <b>148,140</b>      | <b>2,619</b>        | <b>1,326</b>         | <b>2,474</b>         | <b>92,313</b>        |
| 36  |                   |                        |                     |                     |                      |                      |                      |
| <b>37 Beginning General Fund Balance</b>                          | <b>1,584,683</b>  | <b>1,435,142</b>       | <b>1,435,142</b>    | <b>1,210,881</b>    | <b>851,458</b>       | <b>832,784</b>       | <b>815,258</b>       |
| 38 Operating Margin, Budget Basis                                 | 325,161           | 1,832                  | 148,140             | 2,619               | 1,326                | 2,474                | 92,313               |
| 39 Projected GAAP Adjustments (Net)                               | 53,729            | (20,000)               | (20,000)            | (20,000)            | (20,000)             | (20,000)             | (20,000)             |
| 40 Deposits into Reserve Funds (From Fund Balance)                | 0                 | 0                      | 0                   | 0                   | 0                    | 0                    | 0                    |
| 41 Deposits into Reserve Funds (To Cash Reserves)                 | 0                 | 0                      | 0                   | 0                   | 0                    | 0                    | 0                    |
| 42 Fund Balance Use   | (528,432)         | (284,287)              | (352,401)           | (342,042)           | 0                    | 0                    | 0                    |
| <b>43 Ending General Fund Balance</b>                             | <b>1,435,142</b>  | <b>1,132,687</b>       | <b>1,210,881</b>    | <b>851,458</b>      | <b>832,784</b>       | <b>815,258</b>       | <b>887,572</b>       |
| 44  |                   |                        |                     |                     |                      |                      |                      |
| <b>45 Composition of Fund Balance</b>                             |                   |                        |                     |                     |                      |                      |                      |
| 46 Emergency Cash Reserve Balance (2%, formerly 4%)               | 76,952            | 81,607                 | 81,607              | 101,902             | 103,051              | 115,733              | 115,733              |
| 47 Contingency Cash Reserve Balance (4%, formerly 3%)             | 216,697           | 163,458                | 216,697             | 216,697             | 216,697              | 231,815              | 231,815              |
| 48 Fund Balance not in Emergency & Contingency Reserves           | 1,141,493         | 887,622                | 912,577             | 532,859             | 513,036              | 467,710              | 540,024              |
| <b>49 Ending General Fund Balance (Line 43)</b>                   | <b>1,435,142</b>  | <b>1,132,687</b>       | <b>1,210,881</b>    | <b>851,458</b>      | <b>832,784</b>       | <b>815,258</b>       | <b>887,572</b>       |

<sup>A</sup> Please note: The deduction for School Modernization Dedicated Taxes is shown in the expenditure section of this Financial Plan in order to reflect the true level of revenue

generated from taxes. Also, total revenues and expenditures include \$49 million of Tobacco Settlement Funds allocated for the Community Access to Healthcare Program.

Table 3-2

**Local Funds Component of the General Fund**

(\$ thousands)

|   | <b>FY 2006</b>        | <b>FY 2007</b>      | <b>FY 2007</b>         | <b>FY 2008</b>      | <b>FY 2009</b>      | <b>FY 2010</b>      | <b>FY 2011</b>       |
|---|-----------------------|---------------------|------------------------|---------------------|---------------------|---------------------|----------------------|
|   | <b>Actual</b>         | <b>Approved</b>     | <b>Adjusted</b>        | <b>Proposed</b>     | <b>Projected</b>    | <b>Projected</b>    | <b>Projected</b>     |
| <b>1 Revenues</b>   |                       |                     |                        |                     |                     |                     |                      |
| 2 Taxes   | 4,238,950             | 4,412,599           | <sup>A</sup> 4,530,035 | 4,808,763           | 5,090,330           | 5,372,968           | 5,655,895            |
| 4 General Purpose Non-Tax Revenues                                      | 361,951               | 317,277             | 335,251                | 328,372             | 335,708             | 332,604             | 337,416              |
| 6 Transfer from Lottery   | <u>73,800</u>         | <u>72,100</u>       | <u>72,100</u>          | <u>72,100</u>       | <u>72,100</u>       | <u>72,100</u>       | <u>72,100</u>        |
| <b>7 Sub-total Local Fund Revenues</b>                                  | <b>4,674,701</b>      | <b>4,801,976</b>    | <b>4,937,386</b>       | <b>5,209,235</b>    | <b>5,498,138</b>    | <b>5,777,672</b>    | <b>6,065,411</b>     |
| 8 Effect of Tax Changes   | <u>0</u>              | <u>(276)</u>        | <u>0</u>               | <u>0</u>            | <u>0</u>            | <u>0</u>            | <u>0</u>             |
| <b>9 Adjusted Local Fund Revenues</b>                                   | <b>4,674,701</b>      | <b>4,801,700</b>    | <b>4,937,386</b>       | <b>5,209,235</b>    | <b>5,498,138</b>    | <b>5,777,672</b>    | <b>6,065,411</b>     |
| 10 Bond proceeds for Issuance Costs                                     | 10,494                | 30,000              | 30,000                 | 60,000              | 30,000              | 30,000              | 30,000               |
| 11 Payment-in-Lieu-of-Taxes from WASA                                   | 0                     | 1,551               | 1,551                  | 0                   | 0                   | 0                   | 0                    |
| 12 Transfer from Federal and Private Resources                          | 0                     | 6,502               | 6,502                  | 6,646               | 6,794               | 6,958               | 7,133                |
| 13 Transfer from Enterprise Fund (HPTF) for Debt Service                | 0                     | 6,000               | 0                      | 12,000              | 12,000              | 12,000              | 12,000               |
| 14 Transfer from Capital Funds (Bus Shelter Revenue) for Debt Svc       | 0                     | 2,091               | 2,091                  | 9,714               | 19,312              | 19,310              | 19,311               |
| 15a Fund Balance Use: To Replace Dedicated Gross Sales Taxes            | 0                     | 46,477              | 46,477                 | 65,385              | 0                   | 0                   | 0                    |
| 15b Fund Balance Use: Transfers to Capital and Trust Fund               | 403,023               | 87,987              | 87,987                 | 0                   | 0                   | 0                   | 0                    |
| 15c Fund Balance Use: One-time Expenditures in FY                       | 101,416               | 41,866              | 41,866                 | 208,473             | 0                   | 0                   | 0                    |
| 15d Fund Balance Use: Other   | 0                     | 0                   | 44,683                 | 0                   | 0                   | 0                   | 0                    |
| 16a Revenue Proposals- Tax Compliance Initiatives                       | 0                     | 49,000              | 0                      | 0                   | 0                   | 0                   | 0                    |
| 16b Revenue Proposals - Council actions incl. deed tax, Care First, etc | <u>0</u>              | <u>49,117</u>       | <u>0</u>               | <u>0</u>            | <u>0</u>            | <u>0</u>            | <u>0</u>             |
| <b>17 Total Local Fund Resources</b>                                    | <b>5,189,634</b>      | <b>5,122,291</b>    | <b>5,198,543</b>       | <b>5,571,453</b>    | <b>5,566,244</b>    | <b>5,845,940</b>    | <b>6,133,855</b>     |
| 18  |                       |                     |                        |                     |                     |                     |                      |
| <b>19 Expenditures (by Appropriation Title)</b>                         |                       |                     |                        |                     |                     |                     |                      |
| 20 Governmental Direction and Support                                   | 303,103               | 330,101             | 336,669                | 322,067             | 301,799             | 311,274             | 321,077              |
| 21 Economic Development and Regulation                                  | 118,198               | 128,468             | 127,155                | 133,213             | 117,339             | 120,428             | 123,607              |
| 22 Public Safety and Justice  | 839,975               | 888,003             | 911,772                | 957,050             | 942,343             | 974,778             | 1,008,435            |
| 23 Public Education System  | 1,166,809             | 1,203,492           | 1,237,420              | 1,253,915           | 1,261,969           | 1,304,065           | 1,333,860            |
| 24 Human Support Services   | 1,356,563             | 1,369,566           | 1,457,449              | 1,536,595           | 1,553,968           | 1,620,168           | 1,689,487            |
| 25 Public Works   | 322,272               | 351,396             | 349,544                | 410,051             | 432,028             | 474,094             | 455,283              |
| 26 Financing and Other  | 432,124               | 562,791             | 519,527                | 646,281             | 658,162             | 720,145             | 766,968              |
| 27 Cash Reserve (Budgeted Contingency)                                  | 0                     | 50,000              | 500                    | 50,000              | 50,000              | 50,000              | 50,000               |
| 28 Lease Purchase Costs   | <u>24,574</u>         | <u>43,955</u>       | <u>43,955</u>          | <u>43,755</u>       | <u>48,750</u>       | <u>57,612</u>       | <u>68,877</u>        |
| <b>29 Sub-total, Operating Expenditures</b>                             | <b>4,563,618</b>      | <b>4,927,772</b>    | <b>4,983,991</b>       | <b>5,352,927</b>    | <b>5,366,358</b>    | <b>5,632,564</b>    | <b>5,817,594</b>     |
| 30 Paygo to School Modernization Capital Fund                           | 0                     | 100,000             | 100,000                | 106,000             | 112,360             | 119,102             | 126,248              |
| 31 Paygo Capital  | 265,023               | 87,987              | 87,987                 | 0                   | 0                   | 0                   | 0                    |
| 32 Transfer to Trust Fund for Post-Employment Benefits                  | 138,000               | 4,700               | 4,700                  | 110,907             | 86,200              | 91,800              | 97,700               |
| <b>34 Total Local Fund Expenditures and Transfers</b>                   | <b>4,966,641</b>      | <b>5,120,459</b>    | <b>5,176,678</b>       | <b>5,569,833</b>    | <b>5,564,918</b>    | <b>5,843,466</b>    | <b>6,041,542</b>     |
| <b>35 Operating Margin, Budget Basis</b>                                | <b><u>222,993</u></b> | <b><u>1,832</u></b> | <b><u>21,865</u></b>   | <b><u>1,620</u></b> | <b><u>1,326</u></b> | <b><u>2,474</u></b> | <b><u>92,313</u></b> |

<sup>A</sup> Please note: The deduction for School Modernization Dedicated Taxes is shown in the expenditure section of this Financial Plan in order to reflect the true level of revenue generated from taxes.

Table 3-3

**Dedicated Taxes Component of the General Fund**

(\$ thousands)

|  | <b>FY 2006<br/>Actual</b> | <b>FY 2007<br/>Approved</b> | <b>FY 2007<br/>Adjusted</b> | <b>FY 2008<br/>Proposed</b> | <b>FY 2009<br/>Projected</b> | <b>FY 2010<br/>Projected</b> | <b>FY 2011<br/>Projected</b> |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|
| <b>1 Revenues</b>  |                           |                             |                             |                             |                              |                              |                              |
| 3a Dedicated Taxes for the Neighborhood Investment Trust         | 0                         | 0                           | 0                           | 9,875                       | 10,000                       | 10,000                       | 10,000                       |
| 3b Dedicated Taxes for the Comprehensive Housing Trust Fund      | 0                         | 0                           | 0                           | 27,909                      | 29,018                       | 30,230                       | 31,544                       |
| 3c Dedicated Taxes for the Housing Production Trust Fund         | 0                         | 50,587                      | 57,570                      | 57,065                      | 59,279                       | 61,707                       | 64,327                       |
| 3d Dedicated Taxes for the Nursing Facility Quality of Care Fund | 0                         | 0                           | 0                           | 11,000                      | 11,000                       | 11,000                       | 11,000                       |
| 3e Dedicated Taxes for the Ballpark Fund                         | 0                         | 0                           | 0                           | 46,397                      | 45,307                       | 45,012                       | 45,012                       |
| <b>9 Sub-total Dedicated Taxes</b>                               | <b>0</b>                  | <b>50,587</b>               | <b>57,570</b>               | <b>152,246</b>              | <b>154,604</b>               | <b>157,949</b>               | <b>161,883</b>               |
| 15 Fund Balance Use: Other                                       | 0                         | 0                           | 0                           | 5,179                       | 0                            | 0                            | 0                            |
| 16 Revenue Policy Proposals                                      | 0                         | 15,151                      | 0                           | 0                           | 0                            | 0                            | 0                            |
| <b>17 Total Dedicated Taxes</b>                                  | <b>0</b>                  | <b>65,738</b>               | <b>57,570</b>               | <b>157,425</b>              | <b>154,604</b>               | <b>157,949</b>               | <b>161,883</b>               |
| <b>18</b>  |                           |                             |                             |                             |                              |                              |                              |
| <b>19 Expenditures (by Appropriation Title)</b>                  |                           |                             |                             |                             |                              |                              |                              |
| 20 Governmental Direction and Support                            | 0                         | 0                           | 0                           | 0                           | 0                            | 0                            | 0                            |
| 21 Economic Development and Regulation                           | 0                         | 0                           | 0                           | 42,963                      | 39,018                       | 40,230                       | 41,544                       |
| 22 Public Safety and Justice                                     | 0                         | 0                           | 0                           | 0                           | 0                            | 0                            | 0                            |
| 23 Public Education System                                       | 0                         | 0                           | 0                           | 0                           | 0                            | 0                            | 0                            |
| 24 Human Support Services  | 0                         | 0                           | 0                           | 10,000                      | 11,000                       | 11,000                       | 11,000                       |
| 25 Public Works  | 0                         | 0                           | 0                           | 0                           | 0                            | 0                            | 0                            |
| 26 Financing and Other   | 0                         | 0                           | 0                           | 0                           | 0                            | 0                            | 0                            |
| <b>29 Sub-total, Operating Expenditures</b>                      | <b>0</b>                  | <b>0</b>                    | <b>0</b>                    | <b>52,963</b>               | <b>50,018</b>                | <b>51,230</b>                | <b>52,544</b>                |
| 33a Transfer to HPTF Special Revenue Fund (Enterprise Fund)      | 0                         | 65,738                      | 57,570                      | 57,065                      | 59,279                       | 61,707                       | 64,327                       |
| 33b Transfer to Baseball Revenue Fund (Enterprise Fund)          | 0                         | 0                           | 0                           | 46,397                      | 45,307                       | 45,012                       | 45,012                       |
| <b>34 Total Dedicated Taxes Expenditures and Transfers</b>       | <b>0</b>                  | <b>65,738</b>               | <b>57,570</b>               | <b>156,425</b>              | <b>154,604</b>               | <b>157,949</b>               | <b>161,883</b>               |
| <b>35 Operating Margin, Budget Basis</b>                         | <b>0</b>                  | <b>0</b>                    | <b>0</b>                    | <b>1,000</b>                | <b>0</b>                     | <b>0</b>                     | <b>0</b>                     |

Table 3-4

**Special Purpose Revenue Component of the General Fund**

(Dollars in Thousands)

|  | <b>FY 2006</b>        | <b>FY 2007</b>  | <b>FY 2007</b>              | <b>FY 2008</b>  | <b>FY 2009</b>   | <b>FY 2010</b>   | <b>FY 2011</b>   |
|--|-----------------------|-----------------|-----------------------------|-----------------|------------------|------------------|------------------|
|  | <b>Actual</b>         | <b>Approved</b> | <b>Adjusted</b>             | <b>Proposed</b> | <b>Projected</b> | <b>Projected</b> | <b>Projected</b> |
| <b>1 Revenues</b>  |                       |                 |                             |                 |                  |                  |                  |
| 5 Special Purpose (O-type) Revenues                                      | <u>375,389</u>        | <u>417,657</u>  | <sup>A</sup> <u>381,130</u> | <u>358,250</u>  | <u>343,049</u>   | <u>351,985</u>   | <u>345,850</u>   |
| <b>9 Sub-total Special Purpose Revenue Funds</b>                         | <b>375,389</b>        | <b>417,657</b>  | <b>381,130</b>              | <b>358,250</b>  | <b>343,049</b>   | <b>351,985</b>   | <b>345,850</b>   |
| 15a Fund Balance Use   | 23,993                | 109,875         | 131,388                     | 63,005          | 0                | 0                | 0                |
| 15b Fund Balance Certified but not used                                  | 0                     | (1,918)         | 0                           | 0               | 0                | 0                | 0                |
| 16 Revenue Proposals/Policy Proposals                                    | <u>0</u>              | <u>0</u>        | <u>0</u>                    | <u>88,457</u>   | <u>85,157</u>    | <u>85,157</u>    | <u>85,157</u>    |
| <b>17 Total Special Purpose Revenue Funds</b>                            | <b>399,382</b>        | <b>525,614</b>  | <b>512,518</b>              | <b>509,712</b>  | <b>428,206</b>   | <b>437,142</b>   | <b>431,007</b>   |
| <b>18</b>  |                       |                 |                             |                 |                  |                  |                  |
| <b>19 Expenditures (by Appropriation Title)</b>                          |                       |                 |                             |                 |                  |                  |                  |
| 20 Governmental Direction and Support                                    | 30,444                | 103,658         | 54,779                      | 57,677          | 48,454           | 49,465           | 48,771           |
| 21 Economic Development and Regulation                                   | 133,564               | 160,506         | 186,222                     | 150,750         | 126,644          | 129,287          | 127,473          |
| 22 Public Safety and Justice   | 54,773                | 55,292          | 26,366                      | 83,137          | 69,843           | 71,300           | 70,300           |
| 23 Public Education System   | 3,894                 | 20,479          | 9,252                       | 22,313          | 18,745           | 19,136           | 18,868           |
| 24 Human Support Services  | 33,012                | 53,572          | 36,617                      | 32,459          | 27,269           | 27,838           | 27,447           |
| 25 Public Works  | 41,526                | 53,922          | 17,292                      | 149,496         | 125,591          | 128,212          | 126,412          |
| 26 Financing and Other   | <u>0</u>              | <u>23,505</u>   | <u>1,034</u>                | <u>13,880</u>   | <u>11,661</u>    | <u>11,904</u>    | <u>11,737</u>    |
| <b>29 Subtotal, Operating Expenditures</b>                               | <b>297,213</b>        | <b>470,934</b>  | <b>331,563</b>              | <b>509,712</b>  | <b>428,206</b>   | <b>437,142</b>   | <b>431,007</b>   |
| 33 Transfer to Enterprise Funds - HPTF                                   | <u>0</u>              | <u>54,680</u>   | <u>54,680</u>               | <u>0</u>        | <u>0</u>         | <u>0</u>         | <u>0</u>         |
| <b>34 Total Special Purpose Revenue Funds component of General Funds</b> | <b>297,213</b>        | <b>525,614</b>  | <b>386,243</b>              | <b>509,712</b>  | <b>428,206</b>   | <b>437,142</b>   | <b>431,007</b>   |
| <b>35 Operating Margin, Budget Basis</b>                                 | <b><u>102,169</u></b> | <b><u>0</u></b> | <b><u>126,275</u></b>       | <b><u>0</u></b> | <b><u>0</u></b>  | <b><u>0</u></b>  | <b><u>0</u></b>  |

<sup>A</sup> Please note: Total revenues and expenditures include \$49 million of Tobacco Settlement Funds allocated for the Community Access to Healthcare Program.

